



1. PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated interim accounts ("interim accounts") are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants, (as applicable to condensed interim accounts), and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 30th June 2000.

2. TURNOVER AND SEGMENT INFORMATION

The group is principally engaged in the production and distribution of films and programmes, film exhibition, film right sub-licensing and provision of optical disc replication service. An analysis of the group's turnover and contribution to operating profit for the period by principal activities is as follows:—

	Unaudited turnover six months ended 31st December		Unaudited operating profit six months ended 31st December	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Sales of goods	106,285	94,854	26,818	20,307
Sub-licensing and film exhibition	35,507	19,626	3,482	5,840
Replication of optical disc	2,977	1,250	831	925
	144,769	115,730	31,131	27,072

No geographical analysis of operating profit is provided as less than 10% of the consolidated turnover and less than 10% of the consolidated trading results of the Group are attributable to markets outside Hong Kong.

3. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Unaudited six months ended 31st December	
	2000	1999
	HK\$'000	HK\$'000
Crediting		
Interest income	<u>712</u>	<u>1,798</u>
Charging		
Cost of inventories sold	34,977	35,331
Depreciation:		
— owned fixed assets	6,675	1,057
— fixed assets held under hire purchase contracts	<u>6,379</u>	<u>2,023</u>

4. TAXATION

- (a) Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profit for the period.
- (b) Taxation in the consolidated balance sheet represents the amount of Hong Kong profits tax provided at the rate of 16% (1999: 16%) on the estimated assessable profit for the current period and previous years less the amount of provisional tax paid.



5. EARNINGS PER SHARE

- (a) The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of approximately HK\$24,025,000 (1999: HK\$23,606,000) and on the weighted average of 945,000,000 ordinary shares in issue (1999: 871,728,265 ordinary shares) during the period on the assumption that the subdivision of 1 share of HK\$0.1 each into 5 shares of HK\$0.02 each had been completed on 1st July 1999.
- (b) The calculation of diluted earnings per share is based on the Group's profit attributable to shareholders of approximately HK\$24,025,000 plus interest after taxation on convertible notes of approximately HK\$391,000 and on 945,000,000 ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average of 108,231,711 ordinary shares deemed to be issued if all outstanding options and convertible notes had been exercised (1999: No diluted earnings per share was presented as there was no share option and convertible notes issued by the Company in the six months ended 31st December 1999).

6. ACCOUNTS RECEIVABLE

The ageing analysis of accounts receivable is as follows:—

	Unaudited	
	31st December	30th June
	2000	2000
	HK\$'000	HK\$'000
Current to 90 days	21,301	26,596
90 to 180 days	2,143	3,675
Over 180 days	7,274	1,462
	30,718	31,733

The sale of video product and provision of replication service are with credit terms of 7 to 30 days. The turnover from sublicensing and film exhibition is on open account term ranging from 30 days to 180 days.

7. ACCOUNTS PAYABLE AND BILLS PAYABLE

The ageing analysis of accounts payable and bills payable is as follow:—

	Unaudited	
	31st December	30th June
	2000	2000
	HK\$'000	HK\$'000
Current to 90 days	7,687	8,430
90 to 180 days	2,961	1,079
Over 180 days	231	1,252
	<u>10,879</u>	<u>10,761</u>

8. LONG-TERM LIABILITIES

	Unaudited	
	31st December	30th June
	2000	2000
	HK\$'000	HK\$'000
Secured bank loans and overdrafts	31,001	40,747
Obligations under hire purchase contracts	31,507	35,825
Convertible notes (note 8(b))	54,110	—
	116,618	76,572
Current portion of long-term liabilities	(18,625)	(25,689)
	<u>97,993</u>	<u>50,883</u>

The analysis of the above is as follows:

Bank loans and overdrafts repayable		
Wholly repayable within five years	25,144	32,119
Not wholly repayable within five years	5,857	8,628
	31,001	40,747
Obligations under hire purchase contracts		
wholly repayable within five years	31,507	35,825
Convertible notes redeemable within		
five years (note 8(b))	54,110	—
	116,618	76,572
Current portion of long-term liabilities	(18,625)	(25,689)
	<u>97,993</u>	<u>50,883</u>



- (a) At 31st December 2000, the group's bank loans and overdrafts and other borrowings were repayable as follows:

	Bank loans and overdrafts		Obligations under hire purchase contracts		Convertible Notes	
	31st December 2000	30th June 2000	31st December 2000	30th June 2000	31st December 2000	30th June 2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	7,075	14,985	11,550	10,704	—	—
In the second year	3,898	3,687	9,739	10,813	54,110	—
In the third to fifth year	14,171	13,447	10,218	14,308	—	—
After the fifth year	5,857	8,628	—	—	—	—
	<u>31,001</u>	<u>40,747</u>	<u>31,507</u>	<u>35,825</u>	<u>54,110</u>	<u>—</u>

- (b) On 26th July 2000, the Company issued unsecured convertible notes (the "Notes") to Multimedia Group Limited (a company wholly-owned by a fund under the management of HSBC Private Equity (Asia) Limited) (the "Noteholder") for cash amounting to US\$7,000,000. The Notes are interest bearing at the rate of 2% per annum and can be converted into ordinary shares of HK\$0.02 each of the Company at the conversion price of HK\$0.51 per share (after adjusted for the subdivision of 1 share of HK\$0.1 each into 5 shares of HK\$0.02 each) during the period from 26th July 2000 to 25th July 2002.

Unless converted or redeemed earlier, all the Notes outstanding shall be redeemed by the Company on 25th July 2002. In addition to the principal amount outstanding and any accrued but unpaid interest under the Notes, the Company is required to pay an additional amount calculated as provided in the conditions of the Notes which would give the Noteholder an 8% internal rate of return in the case of redemption of the Notes.

Up to the date of this report, none of the Notes had been converted into the Company's shares or redeemed.



9. SHARE CAPITAL

	Authorised	
	Ordinary shares	
	No. of shares	HK\$'000
At 1st July 2000 (shares of HK\$0.1 each)	1,000,000,000	100,000
Subdivision of 1 share of HK\$0.1 each into 5 shares at HK\$0.02 each	<u>4,000,000,000</u>	<u>—</u>
At 31st December 2000 (shares of HK\$0.02 each)	<u><u>5,000,000,000</u></u>	<u><u>100,000</u></u>

	Issued and fully paid	
	Ordinary shares	
	No. of shares	HK\$'000
At 1st July 2000 (shares of HK\$0.1 each)	189,000,000	18,900
Subdivision of 1 share of HK\$0.1 each into 5 shares at HK\$0.02 each	<u>756,000,000</u>	<u>—</u>
At 31st December 2000 (shares of HK\$0.02 each)	<u><u>945,000,000</u></u>	<u><u>18,900</u></u>

- (a) Pursuant to a resolution passed at Annual General Meeting of the Company held on 27th November 2000, the Company's issued and unissued shares of HK\$0.1 each were subdivided into 5 shares of HK\$0.02 each.



10. RESERVES

	Share premium <i>HK\$'000</i>	Reserve arising on consolidation <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1st July 2000	60,484	821	115,384	176,689
Profit for the period	—	—	24,025	24,025
As at 31st December 2000	<u>60,484</u>	<u>821</u>	<u>139,409</u>	<u>200,714</u>

11. COMMITMENTS

(a) Commitments under operating leases

As at 31st December 2000, the Group had commitments under operating leases in respect of land and buildings to make payment in the next year as follows:

	Unaudited 31st December 2000 <i>HK\$'000</i>	30th June 2000 <i>HK\$'000</i>
Operating lease which expire:		
— within one year	360	764
— in the second to fifth inclusive	—	—
	<u>360</u>	<u>764</u>



(b) Other commitments

As at 31st December 2000, the Group had commitments contracted but not provided for in these accounts as follows

	Unaudited	
	31st December	30th June
	2000	2000
	HK\$'000	HK\$'000
Purchase of film rights	62,064	65,694
Plant and machinery	—	4,649
	62,064	70,343

12. RELATED PARTY TRANSACTIONS

During the six months ended 31st December 2000, one of the subsidiaries, Universe Laser & Video Co., Ltd., had paid rental of HK\$360,000 (1999: HK\$360,000) to Mass Express Development Company, which is wholly owned by Globalcrest Enterprise Limited, on apartment leased for directors. Save as disclosed above, no other material related party transactions have been entered into by the Group. The directors are of the opinion that the above transactions were conducted on normal commercial terms in the ordinary and usual course of business.